

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Mark Acton, Vice Chairman; and  
Robert G. Taub

Competitive Product Prices  
Priority Mail Contract 60 (MC2013-54)  
Negotiated Service Agreement

Docket No. CP2013-70

ORDER APPROVING AMENDMENT TO PRIORITY MAIL CONTRACT 60  
NEGOTIATED SERVICE AGREEMENT

(Issued April 18, 2014)

I. INTRODUCTION

The Postal Service seeks to amend Priority Mail Contract 60 negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the Amendment.

In Order No. 1773, the Commission approved the Priority Mail Contract 60 negotiated service agreement (Existing Agreement).<sup>2</sup> On April 4, 2014, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On

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<sup>1</sup> Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Priority Mail Contract 60, April 4, 2014 (Notice). The Amendment is an attachment to the Notice (Amendment).

<sup>2</sup> See Docket Nos. MC2013-54 and CP2013-70, Order Adding Priority Mail Contract 60 to the Competitive Product List, July 8, 2013 (Order No. 1773).

April 8, 2014, the Commission issued an order reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>3</sup>

The Postal Service intends for the Amendment to become effective one business day after the date that the Commission completes its review of the Notice. Notice at 1, Attachment A at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. Notice at 1, Attachment B. The Postal Service asserts that the Amendment will not impair the ability of the contract to comply with 39 U.S.C. § 3633. Notice, Attachment B.

## II. COMMENTS

Comments were filed by the Public Representative.<sup>4</sup> No other person submitted comments. The Public Representative reviewed the Amendment, the Existing Agreement, and the financial model filed under seal. *Id.* at 2. He asserts that the Postal Service has not linked the Amendment with the financial model. *Id.* However, after performing a sensitivity analysis using the Financial Model provided by the Postal Service, he concludes that the Existing Agreement, as amended, will generate sufficient revenues to covers costs and satisfy 39 U.S.C. § 3633(a) during the remainder of the contract's first year. *Id.*

## III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

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<sup>3</sup> Order No. 2042, Notice and Order Concerning Amendment to Priority Mail Contract 60 Negotiated Service Agreement, April 8, 2014.

<sup>4</sup> Public Representative Comments on Postal Service Amendment to Priority Mail Contract 60, April 15, 2014.

*Cost considerations.* The Commission reviews competitive product prices to ensure that they meet the applicable requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

The Amendment alters the way prices are calculated and adjusted over the length of the contract. The Amendment also contains other minor modifications to the original agreement.<sup>5</sup> In addition, the Existing Agreement contains an annual adjustment provision (section I.G.) for price calculations in years 2 and 3 of the contract.<sup>6</sup> However, due to the manner in which the Postal Service alters the way prices are calculated in the Amendment, an annual adjustment provision is no longer necessary.

The supporting revenue and cost data show that the Existing Agreement, as amended, should cover its costs for the remainder of the first year, as well as in subsequent years.<sup>7</sup> The Commission will continue to review the cost coverage of the Existing Agreement, as amended, in its Annual Compliance Determination to ensure that rates cover costs.

*Other considerations.* The Postal Service states that the Amendment shall become effective on the day after the date that the Commission completes its review. The Amendment does not alter the duration or expiration date of the Existing Agreement.

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

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<sup>5</sup> For example, the Postal Service will now be providing packaging to the customer for Priority Mail Flat Rate packaging and Regional Rate Boxes. See Notice, Attachment A.

<sup>6</sup> Request of the United States Postal Service to Add Priority Mail Contract 60 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, June 25, 2013, at Attachment B.

<sup>7</sup> In reviewing the Postal Service's financial workpapers, the Commission found that a small number of rates did not reflect those contemplated by the Amendment. However, correcting for these slight discrepancies does not alter the estimated attributable cost per piece, revenues per piece, or overall cost coverage of the contract.

Within 30 days of the termination of the Existing Agreement, as amended, the Postal Service shall file the annual (contract year) costs, volumes, and revenues, disaggregated by weight and zone associated with the contract.

In conclusion, the Commission approves the Existing Agreement, as amended.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the Priority Mail Contract 60 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.
3. Within 30 days after the Existing Agreement, as amended, terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues disaggregated by weight and zone associated with the contract.

By the Commission.

Ruth Ann Abrams  
Acting Secretary